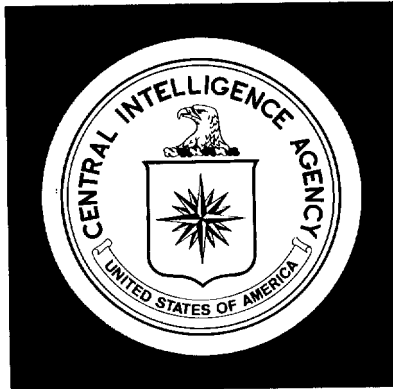


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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar fell to record lows in Frankfurt, Amsterdam, and Copenhagen yesterday and weakened in other major European centers in light trading. The first quarter improvement in the US balance of payments had little impact on foreign exchange markets. Despite the dollar's recent downward drift in Europe, gains have been registered against the Japanese and Canadian currencies; these two countries account for 40 percent of US trade.

The Bank of France announced yesterday that it and the West German Bundesbank are jointly extending a \$1-billion credit to the Bank of Italy to help support the lira, currently the weakest major currency. In addition, all EC central banks, including those of France and West Germany, will provide up to another \$1.9 billion in short-term support under EC monetary arrangements. These credits will ease pressures on the Bank of Italy, whose intervention in late May and early June reportedly amounted to almost \$500 million.

Although there is concern in Switzerland at the continued weakness of the dollar in relation to the Swiss franc, the President of the Swiss National Bank reportedly feels that the floating of the franc has worked "amazingly" well. The central bank has made no attempt to control the franc-dollar exchange rate. Since sales are booming, exporters have not exerted pressure on the government to support the franc.

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WORLD RICE SITUATION: World rice stocks have dwindled and only sporadic sales have been registered in recent months. A number of rice-consuming countries--including Indonesia, the Philippines, Singapore, Cambodia, and South Vietnam--have been unable to buy rice on the world market to meet immediate import needs.

In early June, Thailand banned further rice export commitments until at least August. Thailand had earlier ceased quoting prices for high-quality white rice, and since March exports have been at record low levels--at prices nearly three times those of a year earlier.

In contrast to the 500,000 tons exported in 1972, Burma's exports this year may be limited to the 100,000 tons of rice it sold early this year, largely to fulfill commitments made in 1972. Government reserves--reportedly only 350,000 tons--are being held to meet domestic needs until the next harvest begins in December.

Japan's rice exports may fall short of last year's 400,000 tons if Tokyo reserves rice stocks for use as domestic feedgrains. China has little if any rice available now for export from previous crops. Some rice probably can be exported, however, from the early harvest that begins next month.

The US harvest--normally the earliest fall harvest of the major exporters--has been delayed and trimmed down by heavy rains. Rice acreage allotments for 1973 were increased by 20 percent, and the total harvest probably will exceed last year's by about 12 percent. Nonetheless, the late harvest and lack of carry-over stocks will hold down exports for the remainder of the year, and total US rice exports this year probably will be less than last year's 2 million tons.

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World rice exports in 1973 may be as low as 6 million tons, compared with 8 million tons in 1972. Exports of rice normally amount to less than five percent of world production. The decline in exports is traceable principally to last year's reduced monsoon rainfall and the subsequent poor rice harvests in Thailand, Burma, and other exporting countries. Rice importing countries are turning increasingly to wheat and coarse grains as substitutes, further reinforcing rising price trends for these commodities. [REDACTED] [REDACTED]

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CHINA-THAILAND: A Foreign Ministry official is accompanying a touring Chinese ping-pong team, apparently to discuss political matters with some of China's neighbors. Cheng Jui-sheng, who heads the Southeast Asian Affairs section, reportedly had several meetings with Thai officials this week in Bangkok. Cheng may discuss Peking's position on Chinese material and propaganda support for Thai insurgents. Thai leaders indicated publicly this week that assurance on this score is a major precondition to normal Sino-Thai relations. The ping-pong team visited Malaysia last week and will go on to Burma, where Cheng's political task probably will be to ease Rangoon's growing concern over Chinese-supported insurgency in Burma's far north-east.

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